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**STATE OF IOWA  
LEGISLATIVE FISCAL BUREAU**

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Des Moines, Iowa  
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**MEMORANDUM**



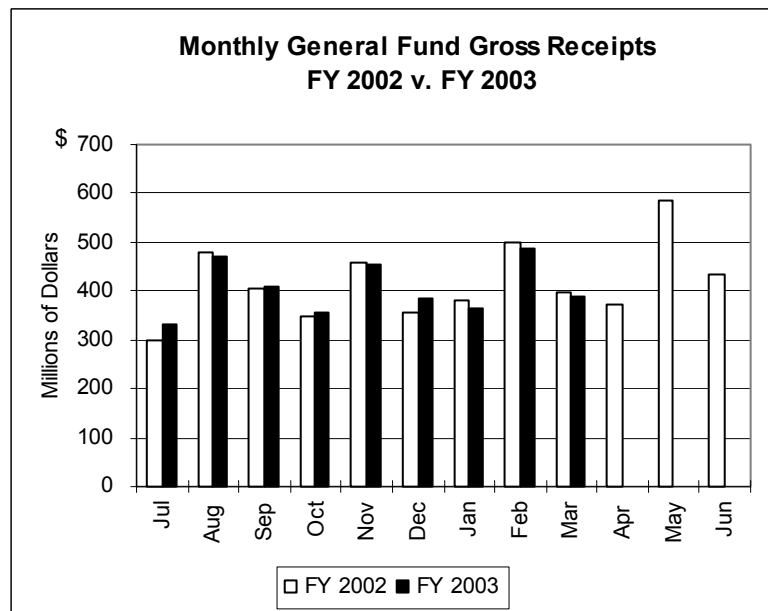
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: April 1, 2003

**Monthly General Fund Receipts through March 31, 2003**

The attached spreadsheet presents total FY 2003 monthly General Fund receipts, with comparable figures for actual FY 2002. These figures can be compared to the FY 2003 estimate (\$5.025 billion) set by the Revenue Estimating Conference (REC) on December 6, 2002. The estimate represents an increase of \$17.5 million (0.3%) compared to actual FY 2002 gross cash receipts (excluding transfers). The next REC meeting will be held April 9, 2003.



## FY 2003 Compared to FY 2002

**Year-to-date FY 2003 total gross revenues** (excluding transfers) have increased \$27.8 million (0.8%) compared to the same time period of FY 2002. Major revenue sources contributing to the change include:

- Withholding tax payments (positive \$68.0 million)
- Income tax estimate payments (negative \$25.6 million)
- Income tax payments with returns (negative \$8.4 million)
- Corporate tax payments (positive \$12.9 million)
- Inheritance tax (negative \$4.7 million)
- Veteran's Home net budgeting (negative \$22.1 million)
- Sales & use tax (positive \$8.2 million)

Overall, year-to-date revenues are above the level projected by the REC in December, with all revenue sources with the exception of income tax and insurance premium tax above projections. However, receipts during the month of February and March were generally below projections.

**March FY 2003 total gross revenues** (excluding transfers) decreased \$8.7 million (- 2.2%) compared to March 2002. The decrease was due to reduced personal income payments with returns, interest, as well as a decrease associated with net budgeting changes at the Veteran's Home. Income tax withholding receipts posted at 4.2% increase in March.

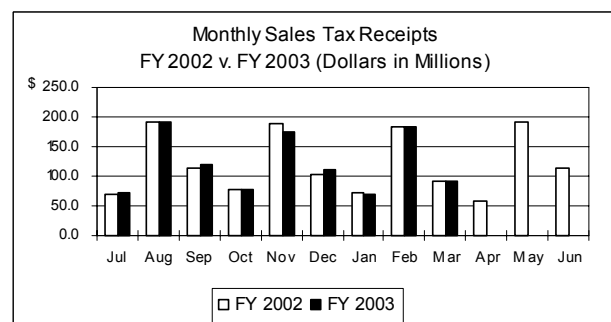
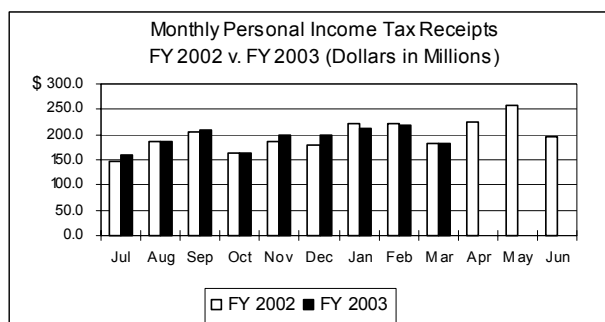
**Personal income tax** revenues received in March totaled \$182.5 million, a decrease of \$0.7 million (- 0.4%) compared to March 2002.

The State tracks personal income tax in three sub-categories.

- During the month of March, withholding tax payments increased \$6.5 million (4.2%).
- Income tax receipts from quarterly estimate payments are a minor revenue source in March.
- Income tax payments with tax returns decreased \$7.0 million (- 26.2%) during the month of March.

The FY 2003 REC income tax estimate of \$2.444 billion represents a projected increase of 3.0% compared to actual FY 2002. The year-to-date change in personal income tax receipts is 2.0% through March.

The following Chart compares FY 2003 monthly personal income tax receipts from all three sub-categories with FY 2002.



**Sales tax** receipts received in March totaled \$92.2 million, a decrease of \$0.4 million (- 0.4%) compared to March 2002.

The REC estimate for FY 2003 sales tax receipts is \$1.449 billion, which represents a decrease of 0.3% compared to actual FY 2002. The year-to-date growth in sales tax receipts is 0.4%.

The preceding Chart compares FY 2003 monthly sales tax receipts with FY 2002.

**Use tax** receipts received in March totaled \$11.4 million, a decrease of \$0.2 million (- 1.4%) compared to March 2002.

The REC estimate for FY 2003 use tax receipts is \$240.8 million, which represents an increase of 1.0% compared to actual FY 2002. The year-to-date growth in use tax receipts is 2.1%.

**Corporate tax** receipts received in March totaled \$16.6 million, a \$1.9 million increase (13.1%) compared to March 2003.

The REC estimate for FY 2003 corporate tax receipts is \$226.2 million, which represents an increase of 2.3% compared to actual FY 2002. The year-to-date growth in corporate sales tax receipts is 8.8%.

**Insurance premium tax** receipts received through March are \$2.4 million (- 3.5%) below FY 2002. Adjusted for the withdrawal of \$10.0 million in March for the Student Achievement and Teacher Quality Program of the Department of Education, this revenue source is \$7.6 million above FY 2003. The insurance premium tax rate reduction and associated acceleration of tax pre-payments will not impact General Fund receipts until June 2003. Insurance premium tax receipts will appear \$10.0 million lower than is actually the case until the end of June or early July.

### Status of the Economy

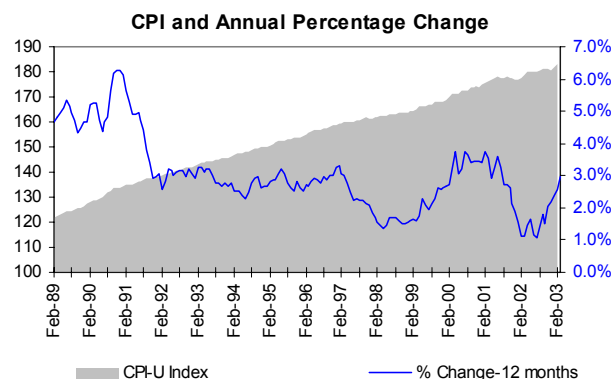
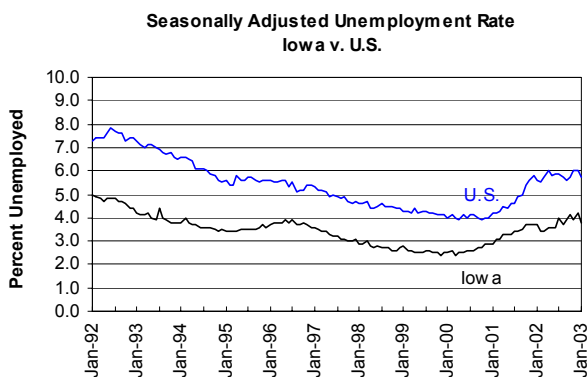
Due to a procedural change associated with industry classifications, February unemployment information will not be available until April 10, 2003. The following is a summary of January 2003 unemployment information.

The January seasonally adjusted Iowa unemployment rate was 3.8%, down 0.4% from the December 2002 revised rate of 4.2%. The Iowa unemployment rate for January 2002 was 3.7 (revised). Iowa's total adjusted January employment registered at 1,586,400, down 2,600 from last year's level. The number of unemployed persons in Iowa was recorded at 63,300 in January, an increase of 2,800 compared to last year's level.

The U.S. unemployment rate in January was 5.7%, 1.9 percentage points above the Iowa rate. The U.S. rate one year ago was 5.6%.

Consumer prices increased 0.77% during the month of February (not seasonally adjusted). The Consumer Price Index (CPI-U) through February 2003 was 183.1 (1983/84=100), 3.0% higher than one year ago.

The following charts illustrate U.S. and Iowa unemployment comparisons through January and the Consumer Price Index through February.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2002 vs. FY 2003 July 1 through March 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 02 Actual Compared to FY 03 REC Estimate		
	FY 2002	FY 2003	Year to Date % CHANGE	March % CHANGE	Actual FY 2002	Estimate FY 2003	Projected % CHANGE
Personal Income Tax	\$ 1,692.8	\$ 1,726.8	2.0%	-0.4%	\$ 2,372.1	\$ 2,444.4	3.0%
Sales Tax	1,089.0	1,093.3	0.4%	-0.4%	1,453.0	1,449.2	-0.3%
Use Tax	183.2	187.1	2.1%	-1.4%	238.5	240.8	1.0%
Corporate Income Tax	146.1	159.0	8.8%	13.1%	221.2	226.2	2.3%
Inheritance Tax	71.9	67.3	-6.4%	-29.1%	100.4	85.5	-14.8%
Insurance Premium Tax	68.4	66.0	-3.5%	0.6%	135.4	139.3	2.9%
Cigarette Tax	64.7	64.3	-0.6%	4.8%	88.0	86.0	-2.3%
Tobacco Tax	5.2	5.5	5.8%	12.4%	7.1	6.8	-4.2%
Beer Tax	10.3	10.4	1.0%	-1.6%	13.8	14.0	1.4%
Franchise Tax	18.3	21.5	17.5%	147.7%	30.9	30.9	0.0%
Miscellaneous Tax	2.2	1.5	-31.8%	34.6%	1.5	1.5	0.0%
Total Special Taxes	\$ 3,352.1	\$ 3,402.7	1.5%	0.3%	\$ 4,661.9	\$ 4,724.6	1.3%
Institutional Payments	36.7	13.5	-63.2%	-75.2%	48.6	16.6	-65.8%
Liquor Transfers - Profits	28.0	29.5	5.4%	0.0%	38.5	39.0	1.3%
Liquor Transfers - 7% Revenues	6.8	6.8	0.0%	0.0%	9.0	9.0	0.0%
Interest	17.1	15.2	-11.1%	-78.2%	25.3	18.0	-28.9%
Fees	52.5	53.1	1.1%	4.2%	70.2	66.3	-5.6%
Judicial Revenue	34.1	37.3	9.4%	-3.4%	51.9	55.0	6.0%
Miscellaneous Receipts	31.6	28.9	-8.5%	-54.4%	42.1	36.5	-13.3%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,618.9	\$ 3,647.0	0.8%	-2.2%	\$ 5,007.5	\$ 5,025.0	0.3%